

2010-11 –3rd QUARTER STATUS REPORT – Chief Operating Investment Officer (J. Guillot)

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Quantitative Performance Measures

Total Fund

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
35%	Excess return deviation in basis points relative to: Total Fund Performance Benchmark {SJ1CA1 – CPERST02}	-27 basis points = 0 +7 basis points = 1.0 +23 basis points = 1.5	+38 bps {18.62 – 18.24}

Affiliate Investment Program Performance

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
10%	Excess return in basis points relative to benchmark for Legislators, Retirement Systems Fund, Judges' Retirement System fund, CA Employers' Retiree Benefit Trust Fund, Long-term Care Fund, CalPERS Custom 457 Plan Index Performance Benchmark. {SKZRA1 – CPERAIPD}	0 basis points = 0 +10 basis points = 1 +15 basis points = 1.5	+88 bps {20.09 – 19.21}

Operational Excellence – Straight-thru Processing

Weight	Performance Measure	Incentive Schedule	3 rd Quarter Status
5%	Excess performance over industry affirmation average for Domestic Equity, International Equity and Domestic Fixed Income internal transactions as measured by Omgeo Benchmarks.	90 percent = 0 93 percent = 1.0 95 percent = 1.5	96%

Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Organizational Systems, Processes and Controls

Weight	Performance Measure
20%	<p>By June 30, 2011, drive implementation of specific INVO Roadmap and rapid results initiatives to improve organization processes and controls:</p> <ul style="list-style-type: none"> • Master Custody Evaluation and Implementation • Investment Accounting System Plan • Risk Management System Implementation • Investment Data Strategy • Contracting Process Improvements <p>Improve financial reporting/management information to enable cost reduction across INVO.</p>
3rd Quarter Status: <ul style="list-style-type: none"> • Master Custody RFP completed and transition of assets from SSB Alameda to Sacramento completed. • Target Operating Model and Investment Data Strategy completed and implementation of top priority initiatives is in process. • Risk Management System is on target for October 2011 implementation. • Contract Workout completed with alternative solicitation process designed and presented to Board. • Total Fund financial information developed and presented to Board. 	

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INVO Governance and Risk Management

Weight	Performance Measure
5%	By March 31, 2011, Lead, design and implement a risk framework and governance structure for the Investment Office. Improve transparency and consistency of investment decision making processes within INVO.
3rd Quarter Status: <ul style="list-style-type: none"> • Risk governance structure implemented. • Investment Strategy Group and Operating Committee formed and are functioning. • Standard template for new investment strategies developed and operating implications of new strategies are reviewed by Operating Committee. • Rapid Results Team is developing operating event process. 	

Incentive Compensation

Weight	Performance Measure
5%	By June 30, 2011, Deliver Phase 2 of INVO incentive compensation redesign.
3rd Quarter Status: <p>Incentive compensation benchmarks were re-evaluated. 2011/12 performance plans under development.</p>	

Enterprise-wide Initiatives and Collaboration

Weight	Performance Measure
5%	By June 30, 2011, continue to improve collaboration between the Investment Office and other CalPERS divisions/branches, including enhancing the INVO IT Steering Committee process, jointly sponsoring the Investment Accounting project with the Fiscal Services Branch, and participating in development of the Enterprise Risk Management Framework.
3rd Quarter Status: <p>Participating in enterprise projects including organization redesign, definition of CFO role, core values development and enterprise risk framework.</p>	

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Investment Office Leadership and Management

Weight	Performance Measure
15%	<ul style="list-style-type: none"> • Investment Office Leadership and Management – By June 30, 2011, contribute to the value creation, capacity building, and organization support for the Investment Office by executing the following: <ul style="list-style-type: none"> ○ Drive global leadership and financial market reform to improve investment performance and enhance delivery of services. ○ Build organizational excellence by strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity by utilizing Senn Delaney training and communication concepts. ○ Mentor and develop staff through regular coaching and feedback. Ensure 95% completion rate for annual performance appraisals and employee development plans. • Team Participation – Cross Asset Class Collaboration – By June 30, 2011, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Risk Management, and Governance initiatives to improve investment performance and processes. • Individual Contributions – Asset Class Priorities – By June 30, 2011, implement asset class priorities which contribute to the success of your program by adopting innovative approaches and overcoming obstacles to improve investment performance and processes. • Organizational Management Practices <ul style="list-style-type: none"> ○ Maintain an average position vacancy rate of 5% or less through the fiscal year 2010-11. ○ Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2011. ○ Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2011. ○ Maintain a 90% EPAD completion rate. ○ Address and resolve all outstanding audit findings within 12 months of audit report. ○ Dedicate 30 minutes per month for Employee Recognition during the year through fiscal year 2010-11.
3rd Quarter Status: <ul style="list-style-type: none"> • Developed INVO 2011/12 Roadmap and Business Plan. • Launched 3 new Rapid Results teams, focused on Board reporting, operating event resolution, and CIO performance reporting. • Drafted new INVO Travel Guidelines. 	